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MERGERS AND ACQUISITIONS BY RETAIL GROCERY STORE COMPANIES, 1959-64

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MERGERS AND ACQUISITIONS BY RETAIL GROCERY STORE COMPANIES, 1959-64 1/

Mergers and acquisitions have played an important role in shaping the market structure of and the laws that govern the American economy. 2/ This report brings up-to-date available data concerning acquisitions by retail grocery store companies. 3/

The present report is based entirely on acquisitions reported in various trade and financial publications during 1959-64. 4/ This article does not report all acquisitions by retail grocery store companies, primarily because acquisitions by those with less than 100 employees were frequently not reported in trade journals and other sources.

Little Change in Number of Acquisitions

Acquisitions by retail grocery store companies in 1959-64 numbered about the same as during 1952-58. In the later period, 253 acquisitions were reported, an average of 42 acquisitions per year. 5/ During the earlier period, 285 acquisitions were made, an average of 41 acquisitions per year (table 15).

These acquisitions were divided into 3 categories: Those within the retail grocery trade; those within the food industry but not primarily retail grocery stores; and nonfood acquisitions.

Number of Acquisitions of Retail Grocery Stores Declined

Retail grocery store companies made acquisitions mostly within the retail grocery store field in both the 1952-58 and 1959-64 periods. Out of a total of 253 acquisitions, 72 percent were retail grocery store businesses (table 15). However, between 1952-58, 82 percent of all the acquisitions made were retail grocery store businesses. The number of retail grocery store acquisitions by retail grocery store companies declined from 34 per year during 1952-58 to 30 per year during 1959-64.

Acquisitions of retail grocery stores as a percentage of total acquisitions varied randomly from year to year, reaching a high of 84 percent in 1959 and a low of 60 percent in 1962.

Majority of grocery stores made only 1 acquisition.--Of the 89 retail grocery store companies acquiring retail grocery store businesses during 1959-64, 51 made

1/ Prepared by Edward A. Cohn and Lindon N. Crutchfield, Marketing Economics Division, Economic Research Service, USDA.

2/ The term "merger" suggests a combination of companies of similar size, whereas dissimilarity in size is suggested by the term "acquisition." To facilitate the discussion in this report, the terms "merger" and "acquisition" are used interchangeably to mean: The gaining by 1 company of effective policy control over at least 1 ongoing establishment of another company. The following were not considered acquisitions: Purchases followed by dismantling; purchases of dairy and bakery routes; purchases of establishments out of business for more than 6 months; and purchases of special formulas, equipment, machinery, patents, and copyrights.

3/ Companies primarily engaged in the retail grocery store trade: Excluded are companies heavily, but not primarily, engaged in the retail grocery store trade.

4/ Source: Chain Store Age, New York; Conference Board, New York; Food Topics, East Orange, N.J.; Food Field Reporter, East Orange, N.J.; Super Market Merchandising, New York; Super Market News, New York; Dun & Bradstreet Reference Book, New York; Moody's Industrial Manual, American and Foreign, New York; 1964 Directory of Supermarket and Grocery Chain Stores, New York; Poor's Register of Corporations, Directors and Executives, New York; Standard & Poor's Corporation Records, New York; 12,000 Leading U.S. Corporations, New York.

5/ Each acquisition may contain more than one establishment.

Table 15.--Number and type of acquisitions by retail grocery store companies reported by various trade and financial publications, United States, 1952-64 1/

Year	Total acquisitions	Type of acquisition		
		Food		Nonfood
		Grocery	Other food	
	Number	Number	Number	Number
Average:				
1952-58 2/	40.7	33.8	5.3	1.6
1959-64	42.2	30.3	5.2	6.7
1959	44	37	4	3
1960	41	32	3	6
1961	31	19	2	10
1962	43	26	7	9
1963	41	28	8	6
1964	53	40	7	6
Total	253	182	31	40
	Percentage distribution			
	Percent	Percent	Percent	Percent
1952-58 2/	100	82	14	4
1959-64	100	72	12	16

1/ "Acquisition" is defined in footnote 2, p.

2/ Data for 1952-58 are estimates based on data in Ownership Changes by Purchase and Merger in Selected Food Industries, Paul E. Nelson, Jr., and Allen B. Paul, U.S. Dept. Agr., ERS, Mktg. Res. Rpt. 369, Oct. 1959, table 9, p. 20. Their data were obtained by survey.

Data for 1959-64 are from various trade journals and financial publications. (See footnote 4, p. 32.)

only 1 acquisition, 31 made 2-4 acquisitions, 6 made 5-9 acquisitions, and only 1 company made 10 or more. That company acquired 19 retail grocery store businesses during the period.

Establishments acquired.--The 182 acquisitions made by retail grocery store companies in 1959-64 involved 1,634 grocery store establishments (table 16). From 1959 to 1963 the vast majority of these acquired establishments--89 percent--were supermarkets. 6/ However, in 1964, the number of convenience stores acquired exceeded the number of supermarkets. 7/

Of the 182 acquisitions of retail grocery store businesses, 116 were of 5 or fewer establishments, 23 were of 6-10 establishments, 28 were 11-20 establishments, and 15 were of more than 20 establishments.

6/ Grocery stores with annual sales of $520,000 or more.

7/ Convenience stores are small, well stocked superettes.

Table 16.--Number and estimated sales of retail grocery establishments acquired by retail grocery companies, United States, 1959-64

Year	Establishments acquired					Estimated sales 3/
	Supermarkets 1/	Non-supermarkets	Convenience stores 2/	Unknown	Total	
	Number	Number	Number	Number	Number	Million dollars
1959	167	3	11	22	203	300
1960	216	7	0	20	243	355
1961	306	4	8	16	334	374
1962	257	6	0	15	278	319
1963	170	0	10	12	192	312
1964	155	6	186	37	384	386
Total	1,271	26	215	122	1,634	2,046

1/ A supermarket is defined as a retail grocery store with annual sales over $520,000.

2/ A convenience store is a small, well-stocked superette based on convenience--easy drive-up parking, limited but complete stock of foods (mostly national labels), 7 days a week operation, and late hours. (From Progressive Grocer, April 1965.)

3/ Sales were availabe for 64 percent of establishments acquired. Sales were estimated for the rest by making the following assumptions: (1) All "unknown" establishments were supermarkets; (2) all supermarkets had sales size of the average supermarket during the year in which the acquisition was made; (average supermarket size for the years 1959-63 was obtained from Distribution of Food Store Sales in 270 Cities, prepared by Supermarket News, based on U.S. Department of Commerce and trade reports; data for 1964 from Progressive Grocer, April 1965); (3) all non-supermarkets had sales of $0.4 million, and (4) all convenience stores had sales of $0.2 million. Had these assumptions been applied to the establishments for which sales were known, the total sales for the period would have been estimated at 6.3 percent less than they actually were.

Acquisitions by Largest 100 Retail Grocery Store Companies

The largest 100 grocery store companies, ranked by sales size, accounted for 65 percent of the 182 acquisitions made within the retail grocery store trade and 83 percent of all the retail grocery store establishments acquired during 1959-64 (table 17). These 100 companies averaged 1.2 acquisitions per company within the retail grocery store trade between 1959-64.

The 25 companies having the largest sales volume averaged 2.8 acquisitions per company and the second largest 25 companies averaged 1.3 acquisitions per company over the period. The third and fourth largest 25 companies averaged only 0.3 and 0.2 acquisition, respectively.

Largest 10 companies led in number of establishments acquired.--The number of establishments acquired is a better indicator of involvement in the merger movement than the number of acquisitions because an acquisition may contain more than one establishment.

The largest 10 grocery store chains accounted for 16 percent of all the acquisitions made within the retail grocery store trade, but they accounted for 39 percent of all the establishments acquired during 1959-64. The next largest 40 chains made 42 percent of all the acquisitions and acquired 41 percent of all the establishments. The leading 50 chains accounted for 57 percent of all

Table 17.--Retail grocery store companies making acquisitions of retail grocery businesses, by sales rank of acquiring company, United States, 1959-64

Largest 100 companies ranked by sales size 1/	Companies making acquisitions	Acquisitions			Establishments acquired		
		Total	Percentage of total	Average per company	Total	Percentage of total	Average per acquisition
	Number	Number	Percent 2/	Number 3/	Number	Percent 4/	Number 5/
Largest 10	10	29	15.9	2.9	629	38.5	21.7
Next largest 15	12	42	23.1	2.8	325	19.9	7.7
Total, largest 25 companies	22	71	39.0	2.8	954	58.4	13.4
2nd largest 25	16	33	18.1	1.3	355	21.7	10.8
3rd largest 25	4	8	4.4	.3	24	1.5	3.0
4th largest 25	3	6	3.3	.2	29	1.8	4.8
Total, largest 100 companies	45	118	64.8	1.2	1,362	83.4	11.5

1/ Sales during 1961. Based on data from 12,000 Leading U.S. Corporations.
2/ Total number of acquisitions for each group of companies (given in preceding column) divided by 182, the total number of retail grocery store acquisitions reported for all retail grocery companies.
3/ Total number of acquisitions for each group of companies divided by the total number of companies in each group.
4/ Total number of establishments for each group of companies divided by 1,634, the total reported number of retail grocery store establishments acquired.
5/ Total establishments divided by total acquisitions for each group.

retail grocery store acquisitions and 80 percent of all the retail grocery store establishments acquired. In contrast, the next 50 chains accounted for 8 percent of the total number of acquisitions of retail grocery store businesses and only 3 percent of the establishments.

Sales of all retail grocery store establishments acquired from 1959 to 1964 were estimated at more than $2 billion (table 16). The 10 leading chains acquired establishments whose sales comprised 43 percent of the total.

Acquisitions of Food Businesses Not in Retail Food Trade

The number of acquisitions of food businesses not primarily engaged in the retail grocery store trade was small in comparison with acquisitions of retail grocery stores. Twenty-three retail grocery store companies made 31 such acquisitions between 1959-64, accounting for 12 percent of the total acquisitions (table 15). For the 1952-58 period, acquisitions of food businesses not primarily engaged in the retail food trade totaled 14 percent of the total acquisitions.

The nature of the acquisitions of food companies not primarily engaged in the retail grocery store trade may be described in 2 ways: By principal product and by primary function. Most of the acquisitions were of companies engaged in either the dairy or the baking industries. The primary function of 14 acquisitions was processing; of 9, was retailing; and of 4, was wholesaling. Over half were made by the second largest 25 chains. The largest 25 grocery chains made fewer acquisitions of this type.

Nonfood Acquisitions

The period 1959-64 saw a marked increase in the number of acquisitions by the grocery store companies of nonfood establishments. Between 1952-58, only 4 percent were in nonfood industries, compared with 16 percent in 1959-64 (table 15).

These acquisitions ranged from a bolt and screw company to drug and department stores. Nonfood acquisitions averaged 6.7 acquisitions per year for the 1959-64 period compared with 1.6 acquisitions during the 1952-58 period.

The majority of the nonfood acquisitions--29--were retail businesses. Twelve of the acquired retail businesses were department store operators (including variety and discount department stores) while 11 were drug retailers.